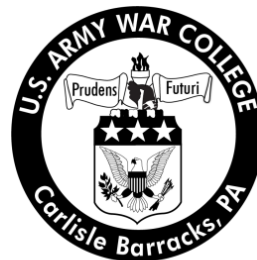


Judging Retirement Reform Using the Strategic Thinking Framework

by

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United States Army War College
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USAWC STRATEGY RESEARCH PROJECT

JUDGING RETIREMENT REFORM USING THE STRATEGIC THINKING FRAMEWORK

by

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Reforming the Military Retirement System (MRS) is an issue that raises concern within Congress, the military organization and the military's strategic leadership. A 2011 Defense Business Board (DBB) report recommends major reform of the MRS from a defined benefit system towards a defined contribution system that demonstrates federal budget savings over time. This study contemplates MRS reform using the Strategic Thinking Framework to identify the viable reasons to consider alternatives to the current MRS that reach beyond the budget savings projected by the DBB in its report on MRS reform. Even though the United States government's budget is facing mounting deficits and increased debt, the DBB report faced immediate criticism upon publication in an effort to resist any change. The criticism suggests budget savings alone will not carry an effort for MRS reform. Linking U.S. interests identified in the National Security Strategy (NSS) to the need for MRS reform beyond budget savings may be the key to moving the MRS from the current method to a system that truly aligns ends, ways and means.

JUDGING RETIREMENT REFORM USING THE STRATEGIC THINKING FRAMEWORK

Regardless of the naysayers' claims, runaway deficits and debt do matter. If we fail to address them, we will sacrifice future economic growth, sabotage our own global position and bequeath to our children an America less prosperous and secure than the one we inherited.¹

In 2011, the Defense Business Board (DBB) concluded a study ordered by former Secretary of Defense Robert Gates recommending a major overhaul of the military retirement system (MRS).² The report called for the Department of Defense (DOD) to move the military retirement system from a defined benefit system to a defined contribution system. The study's results prompted resistance to changes to the MRS due to the austere nature of career military service and the hardship of retaining those in the middle of their military career from senior military leaders and organizations that advocate on behalf of military personnel.³ Steve Strobebridge illustrated this view before the House Armed Services Military Personnel Subcommittee by stating, "when we acknowledge that the military service conditions are unique and vastly different from civilian conditions, the fact that we can only get 17 percent of enlisted people to stay for the current system to me speaks for itself about the arduousness of the career and the few people who are willing to endure that for a long time."⁴

With the DBB report as evidence, there is renewed enthusiasm inside and outside of the DOD for changing the MRS because of the possible budget savings DOD could achieve by enacting certain DBB recommendations; however, there is also dissent. Former Secretary of Defense Gates asked the DBB for recommendations on reform, and current Secretary of Defense Panetta supports studying efforts affecting the defense budget that could garner savings.⁵ However, the former Chairman of the Joint

Chiefs of Staff (CJCS), Admiral Mullen, and the current CJCS, General Dempsey, testified they would not recommend to Congress any changes that would “hollow out” the military.⁶ It is not clear whether they are implying the current recommendations under study would “hollow out” the military or that implementing recommendations would impede military readiness. Nonetheless, there seems to be a difference of opinion between civilian and military leaders on whether the MRS is due for reform or whether it should even be considered for reform within the broader context of budgetary and service reform.

The real issue the DOD Secretaries are contemplating is whether the current MRS is aligned with and supports the National Security Strategy (NSS).⁷ This is a strategic issue for the DOD since an unaligned MRS potentially limits the flexibility of senior leaders in budgeting and managing the military personnel in the system. If the current method of providing an MRS properly supports the nation’s strategy then an argument exists for keeping the status quo. If it does not align, then DOD leaders should investigate alternatives to the current MRS to regain the alignment of a properly implemented MRS that supports the NSS.

Senior DOD officials should use informed judgment to ascertain whether the MRS is aligned with the NSS. The Strategic Thinking Framework (STF), as shown in figure 1,⁸ is a useful tool to support DOD leaders in using the foundational competencies of strategic thinking to develop informed judgments about whether the current MRS is aligned with the NSS.⁹ Examining the current MRS using the STF begins with an environmental scan that includes a historical perspective, the state of the current strategy or method and an understanding of the current environment. Once an

environmental scan is completed, an understanding of what needs to be achieved or a strategic end is desired by the NSS must be established. This is coupled with an analysis of core competencies strategic thinkers should possess in relation to MRS change arguments to assess the ability of senior military leaders to think strategically on the subject. In other words, the STF calls for strategic leaders to use critical and creative thinking to scan the current environment and examine their understanding of future desired ends in order to determine the effective alignment of ways and means to meet the desired end.¹⁰ For this study, the ways and means are the current or alternate MRS strategic leaders must judge for alignment to achieve the ends desired in the NSS.

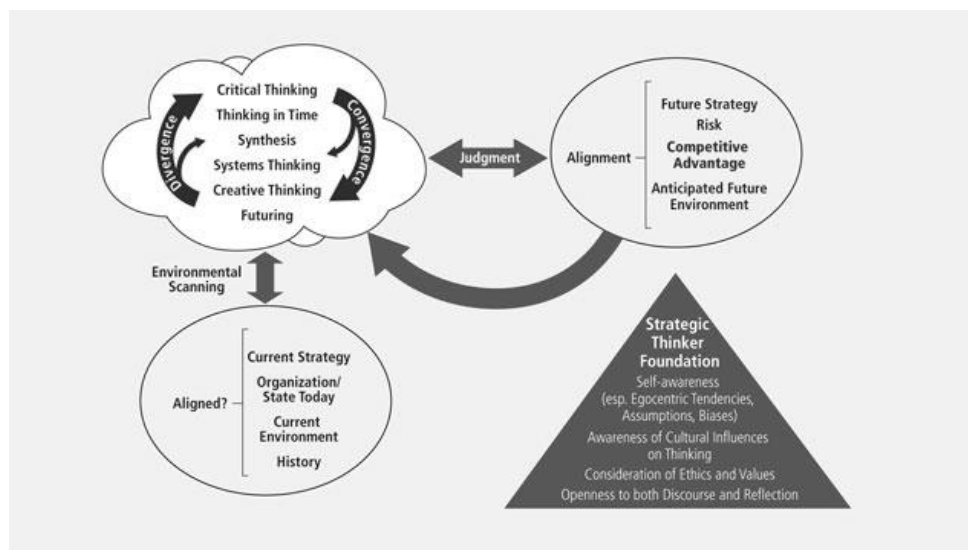


Figure 1 Strategic Thinking Framework

Currently, strategic civilian DOD leaders are questioning whether the MRS is aligned with the future defense strategy and senior military leaders are resisting change to the MRS. Although this study's focus is not the budgetary impacts of MRS reform, motivations for studying the MRS include the financial sustainability of the MRS and its comparability to contemporary private sector retirement systems. The question of changing the MRS presents complex issues for senior defense officials to ponder.

Looking at the MRS through the guided thought process of the STF can reveal whether the current MRS provides a strategic competitive advantage in supporting the NSS or whether alternative compensation options to the military retirement system offer more promise. This analysis uses the STF to question the status quo of the current MRS to demonstrate if there are valid arguments for reforming the MRS and achieving better alignment with the NSS.

Strategic Thoughts about Military Retirement Past and Present

Scanning the environment provides a baseline for learning what happened with the MRS in history and how the organization uses the MRS today to assist the strategic thinker in judging whether the past and the present are aligned with a desired future. Also, the STF guides strategic leaders to examine the current environment and determine whether a future end state is aligned with the current MRS or alternate MRS strategies are necessary to achieve the end state. Within the STF, leaders should apply critical and creative thinking to studying the history and the present state of the MRS to gauge or expose opportunities for improvement.

To examine the MRS strategically, private and other public sector retirement systems are a source of alternatives and best practices. The STF suggests applying creative and critical thinking in looking at how similar systems or organizations solve similar strategic issues can provide valuable insight. The current military retirement system is a non-contributory, defined benefit or pension system the military has used as an incentive to recruit and retain individuals willing to serve a minimum of 20 years to receive the benefit. It provides no retirement benefit to those serving less than twenty years. The reserve component retirement system is similar because there is no retirement pay guaranteed before completing 20 years of service and retired pay is

calculated based on the highest three years (36 months) of a service member's pay grade held rather than their final basic pay.¹¹

Organizations using defined contribution plans rather than defined benefit plans similar to the current MRS have grown dramatically over the past few decades, since defined contribution plans reduce the risk to employers for funding future obligations.¹² The DBB's findings stated, "Over the last few decades, private sector plans have shifted from defined benefit to defined contribution to address longer life spans and unaffordable costs."¹³ This same issue is identified in the DBB report to the Secretary of Defense showing the unsustainable growth of the defined benefit system currently in place for the military. Without halting or slowing the growth of retirement obligations, the MRS is out of alignment with the NSS.

Using the STF to further consider the environment surrounding human resources reveals the cultural evolutions resulting from changing demographics. There are generational and demographic trends that could affect how civilian and military strategic leaders reform the MRS. For example, strategic leaders should account for changes in U.S. demographic trends: longer life expectancy, comparable pay between the private job sector and military careers, benefits programs favoring the military over its civilian equivalents, the desire for flexibility and agility in careers and competing in the private job market for individuals that are impatient, technologically savvy, demanding and willing to sell their talent to the highest bidder.¹⁴ Using the STF method of thinking in time related to demographic trends reveals that a future MRS must account for second careers, should be flexible, should allow for moving in and out of careers and should provide more individual choice. As the Heritage Foundation wrote, "the military's

compensation system, including health care and retirement benefits, must change to adjust to the more mobile labor market.”¹⁵ This makes sense as part of an attempt to widen the pool of willing volunteers to support the goals of the NSS.

The ways demographic changes affect personnel management are evident in the inflexibility of the current system. The current MRS, with its 20 year vesting, causes assignment lengths to be compressed in order to accomplish certain career-enhancing assignments or higher education opportunities and does not allow personal growth within assignments.¹⁶ The current system also encourages the retirement of personnel at early to mid career length, thus losing valuable experience.¹⁷ A flexible system could lengthen military careers while not affecting total years of service. A defined contribution system implies that increased flexibility would provide human resource managers tools to adjust incentives to meet service members’ needs which will ultimately meet military force requirements in support of the NSS.

The growing separation between the military and the US public presents another demographic shift where strategic leaders should apply critical thought to reforming the MRS. According to a report in Time Magazine, “Americans have little or nothing in common with their (service members) experiences or the lives of the 1.4 million men and women in uniform.”¹⁸ It goes on to say “never has the US public been so separate, so removed, so isolated from the people it pays to protect it.”¹⁹ Data supports such statements when considering that only 15% of Americans ages 17 to 24 are fully eligible for military service. Also, through base consolidation, many Americans do not see service members in their communities because, “many troops and their families live on such mega-bases and have no need to leave.”²⁰ The growing separation between

military culture and civilian culture could cause a credibility gap regarding the defined benefit of the MRS. Since defined benefit retirement plans are rarely offered in the private sector; the American public may determine the military's defined benefit is extravagant and wasteful. A systems and critical thinking approach may establish a credibility gap between citizens and its military that could have a detrimental effect on the alignment between the cost of military personnel and benefits such as the MRS, and the need to support the NSS.

The current MRS reform proposals and the surrounding debate is not the first time strategic leaders have questioned the value of the MRS. Proposals to reform the MRS date back to the Civil War. Studies done over the past 40 years concerning the possibility of change to the MRS lend insight into the ongoing debate.²¹ A 1978 study, by the Comptroller General for the US, questioned length of service requirements for retirement eligibility claiming that "youth and vigor" was not required for many military occupations and therefore a 30-year career span for eligibility should be considered by Congress.²² Another report prepared for the Office of the Secretary of Defense by the RAND Corporation illustrates an opinion in favor of changing the MRS because deferred compensation should provide more incentive for youth retention, easier methods of incentivizing voluntary separation and that it would be both, "ex ante and ex post incentive-compatible."²³

Several fundamentals of the current MRS, such as retaining a vigorous and young force, rewarding sacrifice and retaining career officers and non-commissioned officers as a cadre of military professionals for the military, grow from the historic evolution of the MRS. The idea of mandatory or involuntary retirement at certain ages

or related to years of service, age caps for service, using the retirement system to manage force levels, cost of living adjustments and standardizing retirement systems among the services dates back to the 1860s, but culminate in the middle 1900s.²⁴ The Officer Personnel Act of 1947 as amended by the Officer Grade Limitation Act of 1954 established the basis for the military's current promotion and involuntary retirement system used today.²⁵

The Comptroller General of the United States, Elmer B. Staats wrote in 1978 that, "the retirement system should be altered to encourage more effective lengths of careers and mixtures of first-term and career servicemen, to better attract and retain members, and to improve equity and efficiency."²⁶ This report to Congress called for reforming the 20-year military retirement system further illustrates the lengthy debate about benefits provided to military members and reflects the application of creative thought to achieve strategic ends.

In addition, the 1980 Military Personnel and Compensation Amendments and the Military Retirement Reform Act of 1986 established the exact methods used today to provide retirement pay to qualified career military personnel.²⁷ These two laws established the "high three" methods of calculating retired pay based on using three years of a person's highest pay grade held and adjusting the multipliers for calculating the percentage of "high three" pay that would be used.

One could argue that thinking critically about the history of the MRS causes skepticism about the appropriateness of the current method of retirement and its alignment with future defense strategy. For example, to meet national security needs prior to World War II, the U.S. military had a relatively small standing force and a central

cadre of career service members to train a larger force for when the nation was in conflict. After the Korean War, Congress instituted conscription as a form of universal military training and to generate the military force during the Cold War. After the Viet Nam War, Congress instituted the All-Volunteer Force which became the third major historical shift in personnel management systems to meet the manpower needs of a large standing military. With such a dramatic shift in how the nation provided military forces over the past 100 years, it appears strategic leaders should have been able to analyze and reform military compensation systems such as the MRS to positively affect personnel management and encourage careers to support the military's future needs.²⁸ The evolution from a small standing military, to large conscripted forces and finally to a volunteer, market based personnel system should have warranted differing methods of compensation and career encouragement to align the MRS to support a future defense strategy.

The debate surrounding DOD's development of the All-Volunteer Force (AVF) and its integration with the existing MRS had many assumptions, points of view and inferences that influenced its development. Developing an AVF was largely governed by principles of incentive and choice as described by Beth Bailey who wrote how the proposed changes were, "...the shift from duty to market, from obligation to opportunity."²⁹ Her description highlights the different reasons why people entered the military and the motivators for staying that occurred when Congress implemented the AVF. There is little evidence to suggest senior military leaders applied strategy development and critical thinking about the environment as a rationale for considering changes to the MRS, since the military retirement system is largely unchanged from the

beginning of the AVF. Without applying strategic thinking skills and inherent critical thought to the MRS in a time of austere budgets and economic malaise, the credibility of the advice senior military leaders give DOD's civilian leadership could be questioned and the "Profession of Arms" should be questioned about its ability to act professionally.³⁰ Also, a credibility gap could extend to the military's reputation among Americans if pay and benefits for military service are seen as being reserved for privileged careerists of the military.

Can Military Leaders Lead MRS Reform

In order to properly attempt change or understand a leader's ability to lead change, senior leaders should raise awareness by articulating an organization's or leaders' biases, tendencies and cultural influences on a subject or issue. Without self awareness, a leader's judgment on the need for change or the alignment of ways and means to ends could be skewed. Any influence on the critical thought process, creative thought process or even the judgment about an alignment in ends, ways and means is important in an STF analysis to determine the need for change. Even though senior civilian leaders in DOD are challenging military leaders to look at MRS reform, there seems to be an institutional bias towards keeping the status quo.

One theory of why military leaders and organizations supporting the military cannot or will not support reform of the MRS may have to do with the "million dollar muzzle," associated with senior military service and the benefits received by military personnel after retirement.³¹ The muzzle of the "up or out" promotion system coupled with retirement benefits received after serving 20 years that continue until death may lead to military leaders and supporting organizations having little incentive to consider MRS reform.³² It appears this disincentive to change is so strong that the publishing of

the DBB report about MRS reform prompted Congressional debate, intense lobbying and wide-ranging media campaigns to keep military retirement exactly the way it is. On the surface, well-researched reform proposals, especially those prompted by the Secretary of Defense, should not be so baseless as to warrant such resistance by military leaders and the organizations that support military personnel issues.

A review of the 40 year history of the AVF can also offer insights into the traditional arguments for keeping the MRS the same. For a strategic leader addressing the issue of MRS reform, such arguments form part of the foundation in the STF. They lend insight into the tendencies and cultural influences that can impact strategic leaders' judgment in looking at new strategies. The following section addresses traditional arguments which contain assumptions, varying points of view, biases and inferences impacting efforts to reform the MRS.

For example, the argument for career longevity and continuity in service is traditionally raised as a barrier to reforming the MRS and is grounded in the history of military retirement. The small military forces on active duty before World War II, followed by a conscript force from the Korean War until the early 1970s, made it necessary to keep a cadre of professionally trained and experienced officers and non-commissioned officers on active duty and for a longer career span in case the U.S. needed to rapidly expand the size of the military. Since defined benefit retirement systems were the primary type of retirement benefit in existence before the 1970s, coupled with Social Security, it defaulted as the preferred benefit given to the small military cadre who served an entire career.³³

The assumptions about achieving career longevity within a small standing military and a cadre of professionals, as compared to a large standing military or an AVF should require military leaders to think critically about whether modern conditions lead to the same conclusion of requiring a defined benefit MRS. For example, critical thinking can test whether career longevity is best encouraged by the cliff vesting approach of the 20 year retirement. Prior to the AVF, the small cadre of military professionals were largely underpaid during their careers and were slow to be promoted to manage personnel costs and constrain force levels. Therefore, to encourage a military career DOD offered military professionals a large defined retirement benefit for the remainder of their lives. This benefit convinced the cadre to stay in the military since similar benefits were not widely available to private citizens. However, since the inception of the AVF, different types of retirement programs have evolved and become common place in the private sector.³⁴

In addition, the nature of the AVF may mean more of those entering service stay for reasons other than the retirement payout offered at 20 years and beyond. Some may be serving because basic military pay has risen 25 percent higher than the pay of their private sector counterparts in the past ten years. Volunteers may be making a career of the military because of their desire to serve in an organization that serves the U.S. and its people or for upholding or living the Army value of selfless service.³⁵ For example, a study concerning the effects of pay and benefits on recruiting and retention, emphasizes that, “there is no evidence to indicate that retirement benefits have any impact on the Army’s ability to recruit,” but later states, “military pay and retirement benefits become significant factors in retaining quality soldiers and officers.”³⁶ In this

case, the STF leads the reader to understand there might be a false cause fallacy forming between the evidence about how the retirement system has helped retention in the past and how new conditions could make the conclusion different.³⁷

Another argument exists which indicates there's no need change military retirement benefits to realize budget savings and align the MRS with retirement systems common to the private sector. Recently, Steve Stobridge, Government Relations Director for MOAA, claimed the DBB's recommendations would make drastic cuts in the value of military retirement.³⁸ This could be accurate depending on how DOD decides to implement the DBB recommendations for a deferred compensation system. Critical thinking indicates his argument may be suspect and should encourage senior leaders to investigate varying options for deferred compensation retirement systems.

Another example is that MOAA opposes any changes to the MRS by claiming that funding a portable deferred compensation retirement benefit after a less-than-twenty year vesting period and realizing savings in retirement costs would have to be funded at the expense of those who serve past the current twenty year threshold. However, the DBB's proposal does nothing claimed by MOAA. The DBB recommends transferring the risk of retirement funding and retirement plan growth from the government to the individual.³⁹ Military personnel who choose or think they might choose a military career could decide to participate in an available matching program to fund their own retirement plan during their time in the military. The military could still offer a vesting period or other monetary incentives for a portable system to reward lengthy service and experience for a professional cadre. DOD could also match personal contributions to defined contribution accounts to incentivize saving and

government investment in longer-term military service. The premises that an alternative retirement system would provide less value to the career service member or would be more expensive are foundational assumptions that do not resemble what the DBB is currently proposing.⁴⁰

Finally, the idea that military compensation is lower than comparable private sector professions is an argument illustrating myths and assumptions used by the military to maintain support for the current MRS. Strategic leaders recognized that to support volunteerism for an AVF in the 1970s and 1980s, pay and benefits needed to be structured correctly.⁴¹ Most would agree, and there is no denying, the U.S. should provide a secure standard of living to those volunteering for military service. And many critics of retirement reform contend military compensation remained largely unchanged for about 25 years until the early 2000s. However, on February 26, 2007, Dr. David Chu, testified that, “since 2001...average basic pay has increased 32 percent and housing allowances by nearly 70 percent eliminating out-of-pocket housing costs.”⁴² Therefore, with evidence of healthy military compensation increases, in a time when average wages and earnings of most Americans has been dropping, there is little indication of disparity between military and civilian pay and with benefits the military has an advantage. A danger could be a loss of credibility. If Americans believe the military is overcompensated in comparison to them, their trust in the military and its image of selfless service will suffer.

The Strategic Ends and Alignment

Examining the environment of the current MRS within the STF construct reveals issues exists with aligning the current MRS to the future defense strategy. As a result, this study presents issues related to strategic thinking competencies and how they

affect the judgment of strategic leaders as they contemplate reforming programs to affect future strategic ends. Also, describing traditional arguments counter to MRS can illustrate that ideas about aligning the MRS with the NSS are not new and persist today. However, this raises the question if aligning the MRS to future strategy is the key to reforming the MRS, then to what strategic ends should strategic leaders align the MRS?

The NSS defines the future National Defense Strategy (NDS) which details the President's view of US interests, a vision for where the US needs to be postured in relation to those interests and a strategic discussion of the strategies the US will use to advance US interests.⁴³ Although it may not be apparent how reforming the MRS will support the NSS since the NSS addresses strategy in general terms, one could argue that the ends achieved through the ways and means of compensating military forces, support the country's interests.

The broad national interests explained in the NSS are security, prosperity, and alignment to [U.S.] values. DOD's strategic leaders can interpret these national interests as managing and budgeting resources for defense programs and build a case for developing an MRS that supports DOD's role in achieving the interests expressed in the NSS. The interest of security, defined as, "the security of the United States, its citizens, and U.S. allies and partners,"⁴⁴ indicates DOD must have ready, trained and adequate military personnel to provide security abroad and at home. In order to acquire and maintain ready and trained military personnel DOD must compensate them adequately for their service, including an appropriate MRS.

Prosperity, the second interest, is defined as, "a strong, innovative, and growing U.S. economy in an open international economic system that promotes opportunity and

prosperity.”⁴⁵ Prosperity as an interest means the U.S. must continue to identify the ways to maintain and resource an adequate military force to meet threats to market access as described in the NSS. Even now, desires for budget sustainability are resulting in cuts to federal spending on defense needs. Since retirement obligations continue to grow larger and consume a higher percentage of DOD personnel costs, either retirement reform or budget cutting offsets must occur to reduce the burden of the MRS on DOD’s overall budget. The Army’s Chief of Staff underscored this sentiment by saying, “The All-Volunteer Force is the foundation of our military, but the cost of military personnel has grown at a substantial rate over the last decade. We will not reduce pay, but reductions must occur in the rate of growth in military compensation and other personnel related costs and benefits.”⁴⁶

Values, as the third US interest, also relate to reforming the MRS. The NSS describes values as, “Respect for universal values at home and around the world.”⁴⁷ The universal values the NSS promotes are derivatives of the concepts of life, liberty and the pursuit of happiness found in the country’s founding documents.⁴⁸ In addition, the U.S. military inculcates values such as selfless service in military personnel. As a result the military is held in high regard by the American public as evidenced by national polls, including a 2009 Gallup poll which ranked the military profession as one of the top five respected professions in the United States where Americans have high confidence.⁴⁹ A challenge for DOD’s strategic leaders would be if Americans begin to believe values are degraded because of the military’s compensation package and DOD’s unwillingness to subject military personnel to the benefit systems Americans use, then America’s respect for its military could be compromised. Compromising the

respect of the American people would ultimately degrade military forces and their role in providing for national defense.

Using the STF to determine whether the current MRS aligns with the strategic ends of security, prosperity, and values in the NSS would assist strategic leaders in judging whether the current MRS provides the military a competitive advantage in the future. With the projection of retirement accrual account burdens on DOD's future budgets, reforming the MRS can be one way DOD supports the nation's strategic ends.

2011 Report by the Defense Business Board: One Look at Solutions

After using the STF to judge whether a strategic leader should examine alternative retirement strategies to achieve strategic ends, it's appropriate to review DBB's proposal to assess whether it supports the desired ends in the NSS and whether the proposals are feasible and acceptable. Most recent in the on-going debate about the costs of military benefits, the DBB Report FY11-05 entitled "Modernizing the Military Retirement System" offers recommendations to optimize the MRS and ignited a strong debate within DOD, military retiree organizations and Congress whether and to what extent the MRS should be changed.⁵⁰ Former Secretary of Defense Gates's charge to the DBB was "provide recommendations on options to materially reduce overhead and increase the efficiency of the Department's business operations. This effort should identify both short- and long-term opportunities to achieve budget savings..."⁵¹

It is apparent U.S. federal budget challenges warranted Secretary Gates' guidance to the DBB and underscored the primary motivation of the study: to save budgetary outlays in the future. For example, the DOD projects retirement payments to increase from \$52.2 billion in 2011 to \$116.9 billion in 2035.⁵² Assuming defense spending stays static at \$600 billion through 2035, yearly obligations for retirement

would grow from 9% of budget to 20% of DOD's budget. Many strategic leaders believe the magnitude of such growth warrants changes to the MRS to reign in defense spending and alter the priorities DOD spends defense dollars. Generally, the DBB proposes DOD adopt a defined contribution system that eliminates the 20 year vesting requirement, provides retirement benefits to service members regardless of longevity, allows the DOD to incentivize career service and reduces long-term obligations to the budget. Many believe this proposal meets the test of acceptability and should be considered for further discussion and analysis. .

To support their point the DBB reported that only 17 percent of the AVF serves more than 20 years to become eligible for retirement benefits. Those serving 20 or more years on active duty receive retirement payments for a lifetime, while those in the reserve forces can receive a lifetime benefit after age 60. Conversely, military personnel successfully serving an initial enlistment, 5 years, 10 years or even 15 years receive no retirement benefit or credit. Such statistics question whether the MRS supports DOD's interest in building the best and most talented force to meet the ends of security, prosperity and values detailed in the NSS.

In addition, changing the MRS to a defined contribution system proposed by the DBB supports providing human resource management tools such as "continuum of service"⁵³ programs and techniques to improve the management of military talent in the force.⁵⁴ A report from the Wexford Human Resources Advisory Panel suggests the concept of a Continuum of Service is valuable, where the military can "facilitate the transparent movement of members between a service's various components as well as in and out of civilian service..."⁵⁵ Policies supporting Continuum of Service programs

could retain more skilled personnel and enable private industries and other public sector employers to enhance and maintain special skills for use in the military. However, DOD's inflexible 20-year vesting retirement system is not competitive with private sector employers' plans and limits the DOD's ability to recall to active duty when needed Reserve Component personnel who maintain and enhance their professional skills based on their private sector employment.

To improve the MRS, the DBB recommended DOD strategic leaders: 1) change the MRS to a defined contribution plan primarily funded by the government, 2) create adjustable contribution rates set at levels to support retaining quality military members; 3) enable military members to contribute to their own defined contribution accounts beyond required amounts and at their discretion; 4) permit government contributions to vary for the needs of the service based on retention rates of certain career fields; 5) adjust initial vesting periods to support retention; and 6) design a plan that applies to both active and reserve component personnel and supports an operational reserve.⁵⁶ To many, it's clear the DBB's recommendations provide a viable, feasible and sustainable MRS for achieving the ends desired in the NSS. It reacts to future demographic changes as anticipated through best practice retirement system analysis, and minimizes the risks involved by suggesting a system that is comparable to the private business sector. Perhaps most importantly, the DBB's proposal offers the military an alternate retirement system by providing the military's personnel system competitive advantage through flexibility, by upholding the value of career military service and by lowering cost.

Conclusion

Conducting an analysis of the MRS using the STF assists in evaluating the alignment of the current MRS with the NSS and informs strategic judgment about

whether recommendations for MRS reform can better align the MRS to the NSS. An analysis of the current environment shows the current MRS is not aligned with the NSS. Also, it is the apparent military leaders have yet to apply strategic judgment to the current MRS to determine whether reform is necessary. Last, describing the future projected ends the NSS identifies was necessary to judge that the current MRS is not aligned to support the NSS.

Current financial conditions in the US and federal budget issues are driving an NSS that balances national security with the prosperity of the country and upholding the values of Americans. Senior DOD civilian officials agree with Donald Marron that budget deficits matter and have asked military leaders to determine if the current MRS aligns with the NSS.⁵⁷ Despite military leaders and retiree organizations resistance to reform, analyzing the MRS using the STF in light of the DBB's report lends credibility to arguments that reforming the MRS towards a defined contribution system can better align military retirement benefits to the NSS.

Strategic military leaders should examine MRS reform from a strategic thinking standpoint to avoid General Shinseki's warning concerning organizational change when he said, "If you don't like change, you're going to like irrelevance even less."⁵⁸ The DBB results may not completely solve retirement reform, but DOD's strategic leaders should study specific proposals to determine how they support the NSS.⁵⁹ As a starting point, the DBB's recommendations provide suitable, acceptable and feasible alternatives to the current MRS with compelling ideas that improve the value of today's retirement system and maintain relevance in the future.

Endnotes

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¹⁹ Ibid.

²⁰ Mark Thompson, "The Other 1%," *Time*, November 21, 2011, 35.

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